



SACHI A. HAMAI  
Interim Chief Executive Officer

County of Los Angeles  
**CHIEF EXECUTIVE OFFICE**

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

*"To Enrich Lives Through Effective And Caring Service"*

Board of Supervisors  
HILDA L. SOLIS  
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MARK RIDLEY-THOMAS  
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Third District

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Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

June 30, 2015


The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

19 June 30, 2015

  
PATRICK O'QUINN  
ACTING EXECUTIVE OFFICER

**ADOPT A RESOLUTION TO ESTABLISH A COUNTY CAPITAL INVESTMENT INCENTIVE PROGRAM, APPROVE A WRITTEN REQUEST FOR CAPITAL INCENTIVE PAYMENTS FROM THE LOCKHEED MARTIN CORPORATION, AND APPROVE THE EXECUTION OF A COMMUNITY SERVICES AGREEMENT BETWEEN THE COUNTY AND THE LOCKHEED MARTIN CORPORATION  
(ALL DISTRICTS) (3 VOTES)**

**SUBJECT**

Recommendation to adopt a Resolution to establish a Capital Investment Incentive Program, approve a written request for capital incentive payments from the Lockheed Martin Corporation, and approve the execution of a community services agreement between the County and the Lockheed Martin Corporation.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Adopt a resolution to establish a Capital Investment Incentive Program for all applications from qualified manufacturing facility companies;
2. Approve a written request for capital incentive payments from the Lockheed Martin Corporation (Attachment I); and
3. Approve the execution of a community services agreement between the County and the Lockheed Martin Corporation.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The California Capital Investment Incentive Program (CIIP), California Govt. Code § 51298, is an

existing State program that provides property tax abatement for up to 15 consecutive years for large capital investment by qualified manufacturing facilities (must exceed \$150 million). The County can participate by making an annual payment of 75 percent of the property taxes generated by the new investment. The Lockheed Martin Corporation, as a major subcontractor, is in the final stages of the bidding process to secure a significant contract, the Advanced Strategic Aircraft Program (ASAP) from the Department of Defense.

Lockheed Martin would invest approximately \$385 million in new facilities and equipment at its Palmdale location should Lockheed Martin secure the contract. As a General Precondition to the Agreement, Lockheed Martin must be successful in securing the contract.

It is estimated that the project would have a significant impact on the region's economy and add 1,100 direct high skilled and high paying jobs. In addition, 4,700 indirect jobs would be created through construction, subcontractors, and suppliers who are located throughout the County. Recognizing the impact on the economy, the State of California (AB 2389 and SB 718) created a new corporate income tax credit for the project, which could provide up to \$420 million in State wage credits over the 15-year project.

### **FISCAL IMPACT/FINANCING**

The investment in facilities and equipment by Lockheed Martin would provide new property taxes to the County. Under the CIIP, the County would make a payment of 75 percent of the increase in property taxes attributable to the Lockheed Martin investment for 15-years. However, because the project lies in a former redevelopment project area, Redevelopment Dissolution Law dictates that the amount of property taxes collected by the County from the site is limited to the amount of property tax revenues after all enforceable obligations of the former redevelopment agency are paid. Therefore, the County General Fund payment will be calculated based on the residual revenues that are attributable to the Lockheed Martin project site. It is estimated that the total County payment to Lockheed Martin over the 15-year period will be approximately \$3 million, and the 25 percent Community Services Fee paid to the County would be approximately \$1 million (Attachment II).

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The CIIP Code requires the establishment of a CIIP for the County; approval of a written request from Lockheed Martin to the County for capital investment incentive payments through the CIIP; and the approval of the Community Services Agreement between the County and Lockheed Martin consistent with the CIIP. The County Board of Supervisors approval of the attached Resolution will satisfy these requirements. On an annual basis, the County Chief Executive Office will review the Company's Job Creation Plan, the Company's compliance with that Job Creation Plan, and calculate the amount of the Capital Incentive Payment.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

There is no known impact on current services and programs as a result of this action, as the payment to Lockheed Martin will be limited to the new property taxes generated by the project.

### **CONCLUSION**

At such time as your Board approves the attached Resolution and Community Services Agreement,

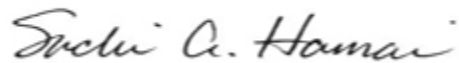
The Honorable Board of Supervisors

6/30/2015

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please return one signed copy of the Resolution, and one signed copy of the Agreement to the Chief Executive Office, who will assist in distributing the copies to the Lockheed Martin Corporation.

Respectfully submitted,

A handwritten signature in cursive script, reading "Sachi A. Hamai".

SACHI A. HAMAI

Interim Chief Executive Officer

SAH:SK:RM:ib

Enclosures

c: Executive Office, Board of Supervisors  
County Counsel  
Auditor-Controller

# ATTACHMENT I

Lockheed Martin Aeronautics Company  
1011 Lockheed Way, Palmdale, CA 93599  
Telephone 661-572-7578  
[greg.m.ulmer@lmco.com](mailto:greg.m.ulmer@lmco.com)



Greg M. Ulmer  
Vice President, ADP Operations &  
Production Programs

July 10, 2014

Mr. William T. Fujioka  
Chief Executive Officer  
County of Los Angeles  
713 Kenneth Hahn Hall of Administration  
500 W. Temple Street  
Los Angeles, CA 90012

RE: Request for Capital Investment Incentive Program Participation

Dear Mr. Fujioka:

Lockheed Martin Corporation requests participation with the County of Los Angeles in the Capital Investment Incentive Program, pursuant to Chapter 8, Section 51298, of the California Land Conservation Act. Lockheed Martin intends for this economic development incentive request to be connected with the Advanced Strategic Aircraft Program and its impact on the Palmdale Operations.

Pursuant to statutory requirements with the Capital Investment Incentive Program, once the County of Los Angeles approves this request, we can move forward with finalizing a "community services agreement."

We look forward to working with the County of Los Angeles and appreciate your attention to this request. If you have any questions regarding this request, do not hesitate to contact Julie Dow at (202) 380-8766 for more information. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg M. Ulmer", written over a horizontal line.

Greg M. Ulmer  
Vice President, ADP Operations &  
Production Programs  
LM Aero-Palmdale

cc: Norman L. Hickling  
Senior Deputy, Fifth District

## ATTACHMENT II

## ATTACHMENT II

### Estimated CIIP payments to Lockheed Martin

<u>CIIP Year</u>	<u>Fiscal Year</u>	County Share <u>Increased Net RPTTF</u>	75% Payment to <u>Lockheed</u>	25% Fee to <u>County</u>
1	2016-17	189,311	141,983	47,328
2	2017-18	414,565	310,924	103,641
3	2018-19	376,231	282,173	94,058
4	2019-20	434,631	325,973	108,658
5	2020-21	399,379	299,535	99,845
6	2021-22	361,962	271,471	90,490
7	2022-23	326,032	244,524	81,508
8	2023-24	275,400	206,550	68,850
9	2024-25	243,433	182,575	60,858
10	2025-26	248,670	186,502	62,167
11	2026-27	260,511	195,383	65,128
12	2027-28	275,421	206,565	68,855
13	2028-29	1,793	1,345	448
14	2029-30	117,967	88,475	29,492
15	2030-31	<u>194,665</u>	<u>145,999</u>	<u>48,666</u>
		<b>4,119,970</b>	<b>3,089,977</b>	<b>1,029,992</b>

# RESOLUTION



**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF  
LOS ANGELES AUTHORIZING STAFF TO ESTABLISH A CAPITAL INVESTMENT  
INCENTIVE PROGRAM, APPROVE A WRITTEN REQUEST FOR CAPITAL INCENTIVE  
PAYMENTS FROM THE LOCKHEED MARTIN CORPORATION, AND APPROVE THE  
EXECUTION OF A COMMUNITY SERVICES AGREEMENT BETWEEN THE COUNTY AND  
THE LOCKHEED MARTIN CORPORATION TO PROVIDE THE TERMS AND CONDITIONS  
FOR PAYMENT OF CAPITAL INCENTIVE AMOUNTS**

**WHEREAS**, the California Legislature has established the California Capital Investment Incentive Program ("CIIP") by enacting California Government Code Section 51298 et seq (the "CIIP Code") to provide local governments with opportunities to attract large manufacturing facilities to invest in their communities and to encourage aerospace (and other) industries to locate and invest in those facilities in California; and

**WHEREAS**, the Lockheed Martin Corporation ("Lockheed") wishes to expand and/or modify its Palmdale, California facility to include the design, development and manufacture of the new Advanced Strategic Aircraft Program for the Department of Defense, and, in support thereof, to invest in that facility an estimated amount of Three Hundred and Eighty-Five Million Dollars (\$385,000,000) (the "Qualified Manufacturing Facility"); and

**WHEREAS**, Lockheed has filed a written request with the County for the payment of a capital investment incentive amount for the Qualified Manufacturing Facility for up to 15 consecutive fiscal years (the "Written Request"); and

**WHEREAS**, in accordance with the requirements of the CIIP Code, Lockheed proposes to enter into that certain Community Services Agreement with the County providing for annual community investment incentive payments to Lockheed, providing for annual payments of community services fees by Lockheed to the County, establishing a job creation plan for the Qualified Manufacturing Facility, establishing contingencies which would have to occur in any fiscal year for the County to become obligated to pay the community investment incentive payment to Lockheed for that fiscal year, including without limitation that (i) the community services fee is timely paid to the County, (ii) the Qualified Manufacturing Facility has been constructed and continues to be operated in accordance with the Community Services Agreement and the CIIP Code, and (iii) the job creation plan continues to be implemented in compliance with the Community Services Agreement and the CIIP Code, and providing for the recapture by the County of community investment incentive payments in the event the Qualified Manufacturing Facility is not operated as required by the Community Services Agreement and the CIIP Code (the "proposed Community Services Agreement").

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Supervisors of the County of Los Angeles that:


1. The County Board of Supervisors hereby elects to establish a Capital Investment Incentive Program for the County subject to and in accordance with the CIIP Code;
2. The County Board of Supervisors hereby approves the Written Request for capital investment incentive payments filed by Lockheed pursuant to the CIIP Code;
3. The County Board of Supervisors hereby approves the proposed Community Services Agreement between the County and Lockheed subject to, and in accordance with, the terms and conditions of the proposed Community Services Agreement and the CIIP Code;

4. The County Board of Supervisors hereby authorizes its Chief Executive Officer or designee to execute, and the Executive Officer of the Board of Supervisors to attest, the proposed Community Services Agreement in the form presented to the County Board of Supervisors at this meeting, together with such changes thereto as the County Executive Officer, upon consultation with County Counsel, shall approve, and to execute all documents and take all actions necessary and convenient to carry out and implement the proposed Community Services Agreement and to administer and enforce the County's rights, obligations, responsibilities and duties to be performed thereunder;
5. There is hereby established a special fund of the County to be designated and known as the Capital Incentive Payment Fund. The appropriate officials of the County shall, in any fiscal year during which the County becomes obligated to make a Capital Incentive Payment under the Community Services Agreement, deposit from a portion of the property taxes allocated to the County General Fund and paid by Lockheed in respect of the Qualified Manufacturing Facility an amount into the Capital Incentive Payment Fund equal to the Capital Incentive Payment for that fiscal year, and cause the Capital Incentive Payment to be paid to Lockheed for that fiscal year, subject to and in accordance with the terms and conditions of the Community Services Agreement and the CIIP Code; and
6. The County Executive Officer or designee is authorized to notify the Governor's Office of Business and Economic Development, (i) on or before June 30, 2015, of the passage of this Resolution electing to establish the Community Investment Incentive Program, and (ii) on or before June 30 of each fiscal year in which a capital incentive payment is made pursuant to this Resolution, the amount of any such payment and to whom such payment is made.

The foregoing resolution was on the 30<sup>th</sup> day of June 2015, adopted by the Board of Supervisors of the County of Los Angeles.




PATRICK OGAWA  
Acting Executive Officer  
Board of Supervisors of  
the County of Los Angeles

By   
Deputy

APPROVED AS TO FORM

MARY C. WICKHAM  
Interim County Counsel

By   
Deputy County Counsel

# COMMUNITY SERVICES AGREEMENT

## **COMMUNITY SERVICES AGREEMENT**

**THIS COMMUNITY SERVICES AGREEMENT** No. 78391 (the "Agreement") is made and entered into on June 30, 2015 by and between the **COUNTY OF LOS ANGELES, CALIFORNIA** (the "**County**") and **LOCKHEED MARTIN CORPORATION**, a Maryland corporation (the "**Company**"). The County and Company are each a "**Party**" to this Agreement and are collectively referred to herein as the "**Parties**".

### **RECITALS**

**WHEREAS**, the California Legislature has established the California Capital Investment Incentive Program by enacting California Government Code Section 51298 et seq. as in effect on the date of this Agreement (the "**Code**") to provide local governments with opportunities to attract large manufacturing facilities to invest in their communities and to encourage aerospace (and other) industries to locate and invest in those facilities in California; and

**WHEREAS**, Company wishes to expand and/or modify its Palmdale, California manufacturing facility (inclusive of contractor and government owned property) for the design, development and manufacture of the new Advanced Strategic Aircraft Program for the United States Air Force, and, in support thereof, to invest in that facility, including investments in real and personal property, necessary for the full and normal operation of that facility, in an estimated amount of Three Hundred and Eighty-Five Million Dollars (\$385,000,000) (the "**QMF**"); and

**WHEREAS**, the property on which the QMF is to be located is within the Merged Redevelopment Project Area, as amended, within the City of Palmdale, County of Los Angeles, which was carried out by the former Community Redevelopment Agency of the City of Palmdale;

**WHEREAS**, in reliance on Company's description of the QMF and its anticipated positive economic impact on the County and its residents, the Board of Supervisors on June 30, 2015, adopted its Resolution No. \_\_\_\_\_ Electing to Establish a Capital Investment Incentive Program, Approving a Written Request for CIIPs from the Lockheed Martin Corporation, and Approving and Authorizing the Execution of a

Community Services Agreement between the County and the Lockheed Martin Corporation to Provide for the Terms and Conditions for Payment of Capital Incentive Amounts (the “**Resolution**”), thereby establishing the legal framework for the Company to qualify for capital investment incentive amounts subject to the terms and conditions and in the manner and amounts described herein, and otherwise in accordance with the Code (the “**CIIP**”); and

**NOW, THEREFORE**, in consideration for the mutual promises and covenants contained herein and for other valuable consideration, the receipt, adequacy, and sufficiency of which is hereby acknowledged, the Parties enter into this Agreement on the following terms and conditions.

## **A G R E E M E N T**

### **1. Payment Term and Dates.**

The period during which any CIIP may be payable to Company by County shall be for fifteen (15) consecutive fiscal years, commencing with June 1 of the first fiscal year after the date upon which the QMF is certified for occupancy or, if no certification is issued, the first fiscal year after the date upon which the QMF commences operation (the “**Payment Term**”). Any amounts under- or over-paid in any fiscal year shall be added to or subtracted from the CIIP for the following fiscal year, with the final CIIP “true-up” to be made 90 days following the Payment Term.

### **2. Company’s Commitments.**

In consideration of the County providing the CIIPs, Company makes the following commitments to the County:

a) Company represents and warrants that the QMF will upon commencement of operation meet all requirements of the definition of a “qualified manufacturing facility” in Section 51298(b)(1) of the Code, and Company agrees to operate the QMF throughout the Payment Term in accordance with this Agreement and applicable provisions of the Code and so as to remain eligible for the CIIP;

b) Company meets, and shall continue to meet, all requirements to be considered the “Proponent,” as such term is defined in Section 51298(b) of the Code, with respect to the QMF throughout the Payment Term;

c) The total capital investment amount in the QMF is estimated to be Three Hundred and Eighty-Five Million Dollars (\$385,000,000), inclusive of all

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purchases that support design, development and manufacturing at the QMF.

d) As a condition precedent to the payment of any CIIP in any fiscal year during the Payment Term, Company shall remit a community services fee in the form of a fee in lieu of tax (the “**Fee**”) to the County for each fiscal year during the Payment Term in an amount equal to 25% of the CIIP calculated for Company for that fiscal year, except that in no fiscal year shall the amount of the Fee exceed \$2,000,000. **Exhibit A** to this Agreement is incorporated by reference into this Agreement and shall govern the administration of the Fee payments to the County as required by Section 51298(d) of the Code.

e) Company shall create jobs at the QMF of the type and with the compensation ranges set forth in the “Jobs Creation Plan” described at **Exhibit B** (hereby incorporated by reference into this Agreement), which satisfy the health benefits and average weekly wage requirements of Section 51298(d)(5) of the Code.

f) Company shall be and remain in good standing and qualified to do business in California, all in accordance with applicable California law, and shall remain qualified, in good standing and in compliance with all California laws (including but not limited to the Code) applicable to the QMF throughout the Payment Term.

g) Company shall have full legal authority to consummate, and shall not be prohibited from consummating, the transactions contemplated by this Agreement and shall be in full compliance with any applicable law, agreement, restriction, or order.

### **3. Required General Preconditions.**

Prior to the County making any CIIP under this Agreement all of the events in the following subsections of this Section 3 (collectively, the “**General Preconditions**”) shall have occurred:

- a) This Agreement is executed by both of the Parties;
- b) The Company shall have received award of a subcontract from the prime contractor for the manufacture of the new Advanced Strategic Aircraft Program for the United States Air Force;
- c) The QMF shall have been certified for occupancy, or if no certification is issued, shall have commenced operation;
- d) The Company shall have invested at least One Hundred and Fifty Million Dollars (\$150,000,000) in real and personal property necessary for the full and normal operation of the QMF and certification to that effect shall have been issued pursuant to the Code;

- e) The QMF shall be located in the City of Palmdale, County of Los Angeles;
- f) The Company shall own or have entered into a long-term lease for the QMF;
- g) The City Council of the City of Palmdale shall have adopted a resolution prior to July 1, 2015 electing to establish a capital investment incentive program for the QMF under the Code and the City of Palmdale shall have timely taken all necessary steps to effectuate such program pursuant to the Code prior to July 1, 2015;
- h) The Job Creation Plan required by this Agreement shall have been created by the Company satisfying the description and requirements therefor set forth in Section 51298(d)(5) of the Code, and the Company shall have submitted reasonably satisfactory evidence thereof to the Chief Executive Officer of the County.

**4. Required Annual Contingencies for any County Obligation to Make a CIIP.**

In any fiscal year, in the event all of the General Preconditions set forth in Section 3 have occurred, and in the event the following events in the following subsections of this Section 4 have occurred for such fiscal year, then and only then shall the County thereupon become obligated to make a CIIP to the Company for that fiscal year:

- a) The QMF has been operated by the Company during the fiscal year in compliance with this Agreement and the Code;
- b) The Company has paid the Community Services Fee to the County for that fiscal year pursuant to this Agreement and the Code;
- c) The Company has submitted by no later than May 1 of the fiscal year evidence reasonably satisfactory to the Chief Executive Officer showing that the Company has carried out the Job Creation Plan during such fiscal year as required by this Agreement and the Code;
- d) The Company shall have neither sold nor transferred the real property on which the QMF is located, nor assigned or allowed the assumption of this Agreement, without the prior written approval of the County and the execution of the assignment and assumption agreement required in accordance with Section 10 of this Agreement, which approval shall not be unreasonably withheld or delayed;
- e) The QMF has been operated during the fiscal year in the manner and by a business of the kind required by the Code;

f) The Company has paid its property taxes for the QMF currently and shall not be delinquent in the payment of such QMF property taxes; and

**5. No Debt of the County.**

THIS AGREEMENT CONSTITUTES A CONDITIONAL OBLIGATION OF THE COUNTY IMPOSED BY GOVERNMENT CODE SECTION 51298, ET SEQ. AND IMPLEMENTED BY THE RESOLUTION AND PAID PURSUANT TO THE TERMS AND CONDITIONS OF THIS AGREEMENT. THIS AGREEMENT IS NOT A DEBT OF THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (EXCEPT THE COUNTY) AND NEITHER THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS (EXCEPT THE COUNTY) IS LIABLE FOR PAYMENT HEREUNDER. THIS AGREEMENT DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION OR RESTRICTION.

**6. Annual Calculation of Any CIIP.**

In consideration of Company investing in and operating the QMF as described in the Recitals and the economic benefit to the County and local community to be realized from that investment and operation, and in the event in any fiscal year during the Payment Term the County becomes indebted under the terms and conditions of this Agreement to make any annual CIIP pursuant to this Agreement, the County shall pay an annual CIIP to Company for such fiscal year, in an amount calculated as follows:

a) For purposes of calculating any CIIP under this Agreement, the Parties agree that the "**Existing Assessed Valuation**" of the property on which the QMF is to be located for any fiscal year shall be deemed to be the 2014 valuation of Three Hundred Seventeen Million Seven Hundred Fifty Seven Thousand and Seven Hundred and Sixty Three Dollars (\$317,757,763), less any "Assessment Appeal Reduction" as determined by the Assessment Appeals Boards for the existing open appeal 2014-004522. For purposes of calculating any CIIP under this Agreement, the Parties agree that the "**Assessment Appeal Reduction**" shall mean the difference between the Existing Assessed Valuation of the property as of 2014 and the final determination by the Assessment Appeals Board in the certain assessment appeal case filed by the Company for tax year 2014 and numbered 2014-004522.

b) For purposes of calculating any CIIP under this Agreement, the Parties agree that the "Increased Assessed Valuation" of the property on which the QMF is to be located for any fiscal year shall be deemed to be an amount equal to (x) the



assessed valuation of the QMF on May 1 of that fiscal year, less (y) the sum of Twenty-Five Million Dollars (\$25,000,000) and (z) less the Existing Assessed Valuation.

c) The CIIP shall be an amount equal to (i) the amount of ad valorem property tax that would be derived by the County for the applicable fiscal year from taxation of the Increased Assessed Valuation of the property on which the QMF is located, subject to the Residual Limit set forth in the immediately following subsection d).

d) The CIIP shall be limited to the proportionate share of residual the County derives from the QMF in each relevant fiscal year after payment of all approved Enforceable Obligations (as defined below) for that fiscal year, defined as follows: First, the proportionate share of residual the County derives shall be calculated as a percentage by dividing the assessed value of the QMF by the total assessed value of the Palmdale Merged Project Area as shown on the rolls of the County for the relevant fiscal year; second, the percentage share derived in the first step shall then be multiplied by the total amount of residual generated by the Successor Agency of the Palmdale Merged Project for the relevant fiscal year after payment of all approved Enforceable Obligations (as defined below) for that fiscal year (the “**Residual Limit**”).

e) Notwithstanding any other provision of this Agreement, any obligation of the County which may arise under this Agreement to make any CIIP shall be subordinate to the legal obligations of Division 24 (Community Development and Housing), Part 1.85 (Dissolution of Redevelopment Agencies and Designation of Successor Agencies), Sections 34170 et seq of the California Health & Safety Code, as amended (the “**Enforceable Obligations**”), including but not limited to the duties of the Auditor-Controller to allocate and pay such funds pursuant to Section 34183 et seq. of the California Health & Safety Code.

**7. Reporting; Ineligibility; Recapture; Waiver of Recapture; Adjustment upon Reassessment.**

a) **Annual Reporting.** Within 120 calendar days following the close of each calendar year, Company shall provide the County with an annual report comparing the proposed Job Creation Plan, as defined herein in **Exhibit B**, with the actual performance on the QMF for the previous fiscal year. This document shall serve as a potential basis of any recapture claims.

(b) **Ineligibility.** In any given year of the Payment Term Company

shall be ineligible to receive any portion of the CIIP for that fiscal year if: (i) Company shall be delinquent in the payment to the County of any portion of the Fee; (ii) Company shall construct the QMF in a manner materially different from the facility as described in building permit application materials submitted to the City of Palmdale; (iii) the requirements of Sections 3 and 4 are not fully satisfied for such fiscal year ; or (iv) the QMF no longer meets the definition and requirements set forth in the Code. If Company becomes ineligible to receive any portion of that year's CIIP during a fiscal year, the running of the number of consecutive fiscal years in the Payment Term is not tolled during the period in which Company is ineligible.

(c) **Company's Right to Cure.** If Company is deemed by the County to be ineligible for any CIIP, or if any CIIP is subject to recapture as provided in subsection (d) below, Company shall have 90 calendar days following receipt of written notice from the County of such alleged default, to rectify the condition.

(d) **Recapture.** If Company fails to operate the QMF as required by this Agreement, the County may recapture any portion of the CIIP theretofore made by the County, such recapture to be in an amount equal to the lesser of the following: (For purposes of this Agreement, "failure to operate a QMF as required by this Agreement" includes but is not limited to the failure to establish the number of jobs specified in the Jobs Creation Plan, attached at **Exhibit B**)

(1) All CIIP theretofore provided to Company, less all of the Fees theretofore received from Company, and less any portion of CIIP previously recaptured;

(2) The last annual CIIP amount provided to Company, less the last annual Fee amount received from Company, multiplied by 40% of the number of fiscal years remaining in the Payment Term, and less the amount of any portion of the CIIPs previously recaptured.

(e) **Waiver of Recapture; Good Cause.** If Company fails to operate the QMF as required by this Agreement, the County may in its sole and absolute discretion, upon a finding that good cause exists, waive any portion of the recapture of any CIIP due under this Agreement. For purposes of this Section, "good cause" shall include, but is not limited to, the following:

(1) Company has assigned, sold or leased the QMF to a person or entity who has entered into an agreement with the County to assume all of the

responsibilities of Company under this Agreement.

(2) The QMF has been rendered inoperable and beyond repair as a result of an act of God, civil disorder, failure of power, riots, insurrections, war, acts of terrorism, or any other causes, whether the kind herein enumerated or otherwise, not within the control of the Company claiming good cause, which restrict or interfere with the QMF 's ability to timely perform, and which by the exercise of reasonable due diligence, Company would have been unable to prevent or overcome.

(3) Company's QMF customer terminates or modifies its subcontract with Company pertaining to the QMF, and the Company no longer is able to operate the QMF as required by this Agreement.

(f) **Adjustment for Reassessment.** In the event Company appeals the assessed value for any tax year not referred to above in Section 6(a), and the amount of *ad valorem* QMF property tax is, upon final resolution of any such appeal, revised downward, then the Parties shall recalculate the CIIP for such tax year, and the CIIP and any Fee due to the County for that tax year will be adjusted accordingly.

## **8. Costs and Expenses.**

Subject to the provisions of Section 9 below, each Party agrees to pay its own costs incurred in connection with this Agreement, including, but not limited to, all costs incurred for the preparation of any reports or approvals for this Agreement or otherwise.

## **9. Indemnity.**

The Parties acknowledge and agree that the County has made no assurance, representation, warranty or agreement that this Agreement constitutes an enforceable obligation of the County, and the Company releases and holds the County and its officers, employees and contractors harmless from any claim in that regard. The Company agrees to indemnify, defend and hold harmless the County for any costs, reasonable attorneys' fees, claims, or judgments incurred, asserted or entered, as applicable, against the County and/or its officers, employees and contractors arising from this Agreement, provided that the County and its officers, employees and contractors do not challenge the legality or enforceability of this Agreement. Company shall have the right to take over and manage the defense of any claim for which the County, its officers, employees and contractors seek indemnification.

## **10. Assignment; Transfer.**

Company shall not assign or transfer this Agreement or any of its rights hereunder without receipt of the prior written consent of the County, which shall not be unreasonably withheld or delayed, and without the County approved assignee or transferee entering into an Assignment and Assumption Agreement in form and substance reasonably approved by the County, which provides for the assignee or transferee assuming all of the obligations of the Company under this Agreement.

**11. Section Titles and Headings.**

The section titles and headings are for convenience only and do not define or modify any of the terms and provisions hereof.

**12. Waivers.**

Waiver of any of the obligations of any Party under this Agreement will be effective only when in writing and acknowledged by the waiving Party. No delay or omission to exercise any right or power by any Party shall be construed to be a waiver. If any provision is waived by a Party, such waiver shall not be deemed to waive any other provision.

**13. Notices.**

All notices and consents required by or arising out of this Agreement shall be in writing and, unless otherwise required by law or regulation, shall be either (a) personally delivered, (b) sent by overnight courier, or (c) sent by United States Postal Service certified mail, return receipt requested, addressed to the receiving Party as described below:

**To the County of Los Angeles:**

Chief Executive Officer  
County of Los Angeles  
Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713  
Los Angeles, California 90012

**With a copy to:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**To Company:**

Palmdale Senior Site Executive  
Lockheed Martin Corporation  
Lockheed Martin Aeronautics Company  
1011 Lockheed Way  
Palmdale, California 93599

General Counsel  
Lockheed Martin Corporation  
Lockheed Martin Aeronautics  
Company  
P. O. Box 748  
Fort Worth, TX 76101

General Counsel  
Lockheed Martin Corporation  
Properties, Inc.

or to such other address as the receiving Party shall have most recently forwarded to the sending Party pursuant to the provisions of this Section.

**14. Counterparts.**

This Agreement may be executed in one or more counterparts, any one of which need not contain the signatures of more than one Party, but all such counterparts taken together will constitute one and the same instrument.

**15. Entire Agreement; Amendment.**

This Agreement fully sets out the complete agreement of the Parties and supersedes all prior and collateral communications and agreements of the Parties relating to the subject matter. This Agreement includes the Recitals and all exhibits attached hereto or referenced herein, all of which are hereby incorporated by reference. This Agreement may be amended only by a written modification executed by each of the Parties' duly authorized representatives.

**16. Governing Law; Venue.**

The governing law of this Agreement shall be the law of the State of California applicable to contracts made and performed in California. In the event any litigation is brought by any Party arising from this Agreement, such action shall be filed in the appropriate court located in the County of Los Angeles.

**17. Cooperation.**

The Parties shall mutually cooperate in order to effectuate the provisions of this Agreement, including without limitation cooperation in the event of a challenge to the legality or enforceability of this Agreement.

**18. Interpretation of Agreement Not Against Drafting Party.**

Each party and their legal counsel have participated fully in the preparation of this Agreement. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in interpreting this Agreement.

IN WITNESS WHEREOF, the Parties have duly executed and delivered this Agreement as of the Effective Date.

LOCKHEED MARTIN CORPORATION

COUNTY OF LOS ANGELES, CALIFORNIA

By: \_\_\_\_\_  
Name: ORIGINAL  
Title: SIGNED  
Date: \_\_\_\_\_

By: Mike Antonovich  
Michael D. Antonovich, Mayor, Board of Supervisors

IN WITNESS OF WHICH, I have signed this document and affixed the seal of the Board of Supervisors of the County of Los Angeles this 30<sup>th</sup> day of June, 2015.

PATRICK OGAWA,  
Acting Executive Officer-Clerk Board of  
Supervisors of the County of Los Angeles

By: Ant  
Deputy

APPROVED AS TO FORM:

MARY C. WICKHAM  
Interim County Counsel

By: Thomas R. Parker  
Thomas R. Parker  
Deputy County Counsel



I hereby certify that pursuant to  
Section 25103 of the Government Code,  
delivery of this document has been made.

PATRICK OGAWA  
Acting Executive Officer  
Clerk of the Board of Supervisors

By: Ant  
Deputy

**ADOPTED**  
BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

19

JUN 30 2015

Patrick Ogawa  
PATRICK OGAWA  
ACTING EXECUTIVE OFFICER

IN WITNESS WHEREOF, the Parties have duly executed and delivered this Agreement as of the Effective Date.

LOCKHEED MARTIN CORPORATION COUNTY OF LOS ANGELES, CALIFORNIA

By: L. Knudsen  
Name: Leslie Knudsen  
Title: Senior Manager - Contracts  
Date: June 28, 2015

ORIGINAL  
SIGNED  
By: \_\_\_\_\_  
Michael D. Antonovich, Mayor, Board of Supervisors

IN WITNESS OF WHICH, I have signed this document and affixed the seal of the Board of Supervisors of the County of Los Angeles this 30<sup>th</sup> day of June, 2015.

PATRICK OGAWA,  
Acting Executive Officer-Clerk Board of  
Supervisors of the County of Los Angeles

ORIGINAL  
SIGNED  
By \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:

MARY C. WICKHAM  
Interim County Counsel

By: Thomas R. Parker  
Thomas R. Parker  
Deputy County Counsel

# EXHIBIT A



## **EXHIBIT A**

### **TIMELINES AND PROCEDURES GOVERNING COMMUNITY SERVICES FEE ADMINISTRATION**

#### **A. Timelines**

1. Not Later Than ("NLT") May 1: Company submits evidence of its compliance with the Agreement Job Creation Plan ("Plan") for that fiscal year.

2. NLT June 1: County shall notify Company of the Community Services Fee ("Fee") due to Company for that fiscal year.

3. NLT July 1: Company shall remit the Fee to County for the fiscal year in which Steps A(1) and (A)(2) were performed.

4. NLT August 1: County shall remit any Capital Incentive Payment ("Payment") due to Company pursuant to the terms of the Agreement of which this is Exhibit A for the fiscal year ending the immediately previous June 30.

#### **B. Delinquent Fee Remittance and Applicable Interest Rate for Late Payment**

1. Remittance of the Fee to County by Company beyond the deadline referred to in Step A(3) of this Exhibit shall include interest calculated on the principal owed at a rate equal to County's Investment Pool interest rate for the same period of late payment.

#### **C. Administrative Dispute Process for Fee Calculations**

1. If Company disagrees with County's calculation of the Fee as stated in Step A(2), Company shall provide written notice of its disagreement with the Fee amount, what amount Company believes is appropriate, and the basis for that alternative Fee amount to the Chief Executive Officer or her/his designee of County ("CEO"). Said notice and information shall be presented to CEO within ten (10) calendar days of the notification date of the contested Fee from County. The failure to timely present this written notice and information shall be a waiver by Company of its right to exercise this administrative appeal process.

2. The County Auditor-Controller shall review the Step C(1) documents and determine within thirty (30) calendar days of CEO's receipt of the disputed Fee information and transmit to CEO its analysis and recommended Fee amount for review and consideration by CEO by the end of that period.

3. CEO shall issue an administrative determination on the appropriate Fee amount for that fiscal year, based upon a review of the information provided by Company and County Auditor- Controller to Company NLT thirty(30) calendar days after receipt of the Auditor-Controller analysis and recommendation(s). The CEO decision shall be a final administrative decision which must be filed in Superior Court or any agreed upon alternative dispute resolution process NLT ten (10) days after the notification date of Company by CEO if Company is not satisfied with the CEO determination.

## EXHIBIT B

**EXHIBIT B**  
**Job Creation Plan**

<u>Fiscal</u> <u>Year</u>			Average Number of Employees (Production, Engineering and other support) related to ASAP <u>for the Period</u>	<u>Average</u> <u>Wage</u>
2015	7/1/15	to 6/30/16	100	\$100,000
2016	7/1/16	to 6/30/17	532	\$100,000
2017	7/1/17	to 6/30/18	696	\$100,000
2018	7/1/18	to 6/30/19	770	\$105,000
2019	7/1/19	to 6/30/20	770	\$105,000
2020	7/1/20	to 6/30/21	770	\$105,000
2021	7/1/21	to 6/30/22	770	\$110,000
2022	7/1/22	to 6/30/23	770	\$110,000
2023	7/1/23	to 6/30/24	770	\$110,000
2024	7/1/24	to 6/30/25	770	\$115,000
2025	7/1/25	to 6/30/26	770	\$115,000
2026	7/1/26	to 6/30/27	770	\$115,000
2027	7/1/27	to 6/30/28	770	\$120,000
2028	7/1/28	to 6/30/29	770	\$120,000
2029	7/1/29	to 6/30/30	770	\$120,000